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BEFORE THE
ROYAL COMMISSION
ON ENERGY
CANADA

Statement of

Paul Kayser

on behalf of

Pacific Northwest Pipeline Corporation

and

El Paso Natural Gas Company

Before the
ROYAL COMMISSION ON ENERGY
CANADA


STATEMENT OF PAUL KAYSER
ON BEHALF OF PACIFIC NORTHWEST PIPELINE CORPORATION
AND EL PASO NATURAL GAS COMPANY

I am President and Chief Executive Officer of El Paso Natural Gas Company and have held such position since the organization of the Company in 1928. I am Chairman of the Board and Chief Executive Officer of Pacific Northwest Pipeline Corporation and have held such position since the acquisition last year by the El Paso Company of more than 99% of the common stock of Pacific Northwest Pipeline Corporation.

The purpose of my appearance before this Commission is to place before you the market for natural gas served by the above two companies. To make such presentation clearer, we attach a map of the western section of the United States showing the pipelines of these two companies.

PIPE LINES INVOLVED

As shown on the Map, the El Paso system consists of multiple lines connecting the gas fields of West Texas and New Mexico with the markets of West Texas, New Mexico, Arizona and California. The main transmission lines consist principally of 24" - 26" - 30" and 34" high pressure pipelines operating at pressures in excess of 800 lbs. per square inch. The company has in excess of seven thousand miles of main and branch transmission lines and in excess of four thousand miles of field gathering lines.



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The Pacific Northwest system consists of 2,125 miles of main and branch transmission lines made up of 22" to 26" pipelines, with 474 miles of field gathering lines, connecting the various fields in the Rocky Mountain area with the markets of Colorado, Utah, Idaho, Oregon and Washington.

These two systems have various inter-connections in the San Juan field in New Mexico, including a 24" high pressure line running from a connection with Pacific Northwest's line at Ignacio to El Paso's main lines in the field.

PRESENT MARKETS

Pacific Northwest at present receives from Westcoast Transmission Company Limited on the International Border at Sumas, a point southeast of Vancouver, 300 million cubic feet of gas per day from the Peace River area of British Columbia. Of this amount El Paso purchases from Pacific Northwest 100 million cubic feet per day.

Pacific Northwest has a contract with Westcoast Transmission for the purchase of an additional 150 million cubic feet per day to be delivered to Pacific Northwest on the International Boundary at Kingsgate, opposite the State of Idaho, the subject of the present application for export. This gas will be taken into the system by the construction of a 30" line from Kingsgate to Spokane, a distance of only 123 miles. Pacific Northwest proposes to sell and deliver this gas to the El Paso Natural Gas Company to supply additional demands of El Paso System's market, including the markets in California. In addition, Pacific Northwest has a contract with Westcoast Transmission for 250 million cubic feet per day to be obtained from the Peace River

area of British Columbia.

The present average daily market requirements of the Pacific Northwest system and the El Paso system under certificates granted or now in hearings before the Federal Power Commission are as follows:

| | <u>1958</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Pacific Northwest (MCF per day) | 520,000 | 680,000 | 695,000 | 710,000 | 730,000 |
| El Paso System, not including Pacific Northwest (MCF per day) | 3,166,000 | 3,295,000 | 3,266,000 | 3,284,000 | 3,230,000 |

The requirements for the El Paso Company set forth above include the deliveries to the Pacific Gas & Electric Company of 1 billion 25 million cubic feet per day, Southern California Gas Company and Southern Counties Gas Company 1 billion 30 million cubic feet per day, and Southern California Edison Company 100 million cubic feet per day, making a total of 2 billion 155 million cubic feet per day for delivery to the California market.

POTENTIAL MARKETS

From reports made by the Southern California companies to the California Utilities Commission and from exhibits filed with the Federal Power Commission, the market for gas in Southern California will require, by the year 1960, 600 million cubic feet per day above the amounts set forth above. In addition, it is estimated that such market will require, after such time, an additional amount of approximately 100 million cubic feet per day each year in the future.

This forecast of consumption is based upon a careful analysis of the demands for gas as related to population and industrial growth of the area. These demands do not include the demands of Pacific Gas & Electric Company as we understand such market study will be presented by Alberta and Southern Gas Company Ltd.

To cover these increasing demands the Southern California Companies have entered into a contract with the El Paso Company for 400 million cubic feet of gas per day in addition to all other contracts. Likewise, the El Paso Company has entered into a contract with Pacific Northwest for 400 million cubic feet per day to supply such demand.

If Westcoast is permitted to export the 150 million feet per day, the subject of their application, and is able to fulfill its contract with Pacific Northwest for the additional 250 million cubic feet per day from the Peace River area, then the market of the El Paso System, including Pacific Northwest, will be able to take such gas by 1960 and absorb at least an additional 100 million per day in each of the years 1961 and 1962, if such is available.

To illustrate the rapidity of the growth of the California market, the demands of such market for gas to be supplied by the El Paso Company have increased from 300 million cubic feet per day in 1948 to 2 billion 155 million cubic feet per day in 1958.

In respect to the future market for gas in the territory serviced by the Pacific Northwest Pipeline Corporation, I wish to say that the experience of the El Paso Company in its service to West Texas, New Mexico and Arizona indicates

that the demand for gas in the territory of the Pacific Northwest will greatly increase above the present demands. The deliveries to the El Paso Company's customers in West Texas, New Mexico and Arizona have increased since 1947 from approximately 150 million cubic feet per day to more than 650 million cubic feet per day in 1957.

From my experience, and a study of the fuel demands of the Western States of the United States, it is my opinion that the areas serviced by the Pacific Northwest Pipeline Corporation will have somewhat the same experience over the next ten years. It is my opinion that the demands for gas in this area will more than double in such period.

LOCAL CANADIAN DEMANDS

In respect to local Canadian requirements, because the various sources from which the El Paso System draws gas, large sources of supply at both ends of the system as well as in the approximate middle, it has great flexibility in meeting any deficiency of gas supply from any particular source on its entire system. For this reason we believe we will be particularly fitted to cooperate with Westcoast in developing and sustaining its plan as presented in the brief to develop large supplies of sour gas or sweet gas and make appropriate quantities of such gas so developed available for local demands.

CONCLUSION

We make this statement to demonstrate to you that the El Paso Company and the Pacific Northwest Pipeline Corporation with their network of pipelines presently connected to and servicing the western markets with the present connections to Canadian gas, are in a position, with a comparatively small capital outlay, to give an efficient and immediate outlet to any surplus gas that the Canadian Government

in its discretion desires to export. We wish to say to you that these companies are particularly desirous of obtaining at the earliest practicable date the 150 million cubic feet per day, the subject of Westcoast's present application, and that we are ready, willing and able to take the additional 250 million cubic feet per day from the Peace River area when it is developed and Canadian authorities are ready to permit its export.

X Because our system is already connected to Westcoast Transmission Company's line at Sumas on the international boundary and because the additional connection we seek at Kingsgate requires the construction of only 123 miles of additional pipeline, we are able to take a large or a small amount of additional gas in whatever amount you in your discretion deem best for your economy.



PIPELINE SYSTEMS

LEGEND

- EL PASO NATURAL GAS CO. AND SUBSIDIARY PIPELINES
- EL PASO NATURAL GAS CO. LIQUID PRODUCTS PIPELINES
- EL PASO NATURAL GAS CO. PIPELINES UNDER CONSTRUCTION
- EL PASO NATURAL GAS CO. PIPELINES APPLIED FOR
- PACIFIC NORTHWEST PIPELINE CORP. PIPELINES
- PACIFIC NORTHWEST PIPELINE CORP. PIPELINES UNDER CONSTRUCTION
- WEST COAST TRANSMISSION CO. PIPELINES
- CONNECTING PIPELINES OF OTHER COMPANIES
- OTHER COMPANIES' PIPELINES UNDER CONSTRUCTION
- PROPOSED NEW FACILITIES
- EXISTING COMPRESSOR STATIONS
- EXISTING CENTRIFUGAL COMPRESSOR STATIONS
- EXISTING COMPRESSION AND DEHYDRATION PLANTS
- EXISTING COMPRESSION, PURIFICATION AND DEHYDRATION PLANTS
- EXISTING COMPRESSION, DEHYDRATION AND GASOLINE ABSORPTION PLANTS
- EXISTING COMPRESSION, GASOLINE ABSORPTION AND PURIFICATION AND DEHYDRATION PLANTS
- EXISTING GASOLINE FRACTIONATION PLANT
- EXISTING PURIFICATION AND DEHYDRATION PLANTS
- COMPRESSOR STATIONS UNDER CONSTRUCTION
- COMPRESSOR STATIONS APPLIED FOR
- CENTRIFUGAL COMPRESSOR STATIONS APPLIED FOR
- COMPRESSION AND DEHYDRATION PLANTS UNDER CONSTRUCTION OR APPLIED FOR
- COMPRESSION, GASOLINE ABSORPTION, AND DEHYDRATION PLANTS UNDER CONSTRUCTION
- DEHYDRATION PLANT APPLIED FOR
- MAJOR GAS & GAS AND OIL POOLS

AUGUST 1957

